The Development FUND

COMMUNITES ECONOMIC DEVELOPMENT FUND
BALANCE SHEET - CONDENSED
AS AT JUNE 30, 2003

ASSETS	CURRENT YEAR	LAST YEAR
Current Accounts	$3,559,238	$3,619,047
Business Loans (net)	$11,815,068	$10,123,264
Fish Loans (net)	$9,058,254	$8,948,098
Team Loans	$57,488	$44,499
Fixed Assets (net)	$40,883	$38,918
TOTAL ASSETS	**$24,530,931**	**$22,773,825**
LIABILITIES		
Current	$897,324	$907,550
Due to Province	$23,633,607	$21,866,275
TOTAL LIABILITIES	**$24,530,931**	**$22,773,825**

INCOME STATEMENT - CONDENSED
For the period ending June 30, 2003

	CURRENT	LAST YEAR
Interest Income	$487,159	$461,633
Interest Expense	$345,074	$363,949
Margin on Lending	$142,085	$97,683
Sundry Income	$52,721	$44,146
Gross Income	$194,806	$141,830
Expenses		
Bad Debt & Collection	$5,432	$130,262
Board Expenses	$10,967	$12,779
General Expenses	$69,397	$67,071
Professional Expenses	$5,933	$2,590
Wages & Benefits	$238,146	$254,271
I.G.A. Expenses	$19,708	$19,644
Team Expenses	$25,914	$29,555
Total Expenses	$375,497	$516,171
Net Cost of Operations	-$180,691	-$374,342

The Development FUND

COMMUNITES ECONOMIC DEVELOPMENT FUND
BALANCE SHEET - CONDENSED
AS AT SEPTEMBER 30, 2003

ASSETS	CURRENT YEAR	LAST YEAR
Current Accounts	$2,946,768	$3,328,452
Business Loans (net)	$12,845,591	$9,741,792
Fish Loans (net)	$9,381,942	$8,961,686
Team Loans	$53,539	$48,308
Fixed Assets (net)	$41,952	$48,352
TOTAL ASSETS	**$25,269,792**	**$22,128,590**
LIABILITIES		
Current	$678,578	$704,443
Due to Province	$24,591,214	$21,424,147
TOTAL LIABILITIES	**$25,269,792**	**$22,128,590**

INCOME STATEMENT - CONDENSED
For the period ending September 30, 2003

	CURRENT	CURRENT
Interest Income	$1,006,193	$945,061
Interest Expense	$719,135	$739,500
Margin on Lending	$287,058	$205,561
Sundry Income	$124,628	$79,252
Gross Income	**$411,686**	**$284,813**
Expenses		
Bad Debt & Collection	$126,169	$134,989
Board Expenses	$23,488	$27,009
General Expenses	$133,759	$134,653
Professional Expenses	$11,871	$10,188
Wages & Benefits	$439,978	$489,535
IGA Expenses	$37,799	$37,378
Team Expenses	$51,008	$55,684
Total Expenses	**$824,071**	**$889,436**
Net Cost of Operations	**-$412,385**	**-$604,623**

DEVELOPMENT FUND

Annual Report

Air Transportation
Commercial Fishing
Construction
Contracting
Custom Sawing
Fast Food
Fish Agent
Fish Co-op
Fish Plant
Fitness Franchise
Fly-in Camp
Forestry
Gas Station
Hotel
Lodge
Manufacturing
Motel
Outfitting
Restaurant
Repair Shop
Tourist Lodge
Tourist Resort
Water & Sewer

Two thousand three • 2003

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TRANSMITTAL

The Development FUND

The Honourable Oscar Lathlin
Minister Responsible for the
Communities Economic Development Fund
Province of Manitoba
Room 344 Legislative Building
Winnipeg MB R3C 0V8

Dear Sir:

I am pleased to present, on behalf of the Board of Directors, the Annual Report of the Communities Economic Development Fund for the year ended March 31, 2003.

2003 saw a rebound in activity in the Business Loans Program with loan approvals totalling $4.6 million, while activity remained strong in the Fisheries Loan Program portfolio. The Fund provides a source of capital to northern entrepreneurs whose business activities contribute to the quality of life and the economy of the region.

The Board, assisted by staff, have worked diligently to fulfill our mandate "to encourage economic development". As the Fund enters its next planning cycle, we see opportunities to expand in a variety of service delivery areas and look forward to working with government to realize this potential.

Respectfully submitted,

H. Westdal

Harold Westdal
Chairperson

CORPORATE

DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Oscar Lathlin

Board of Directors:

Chairperson:	Harold Westdal	Winnipeg
Directors:	Linda Ballantyne	Grand Rapids
	Darlene Beck	Cross Lake
	Bill Cordell	Pikwitonei
	Gavin Lawrie	Churchill
	John R. Yellowback	God's River
	Rob Barbe	Gillam
	Bob Veito	The Pas

Officers:

General Manager & CEO: R. Gordon Wakeling
Manager of Financial Programs & CFO: Rajinder S. Thethy

HEAD OFFICE

100 -23 Station Road
Thompson, Manitoba R8N ON6
Telephone: (204) 778-4138
Fax: (204) 778-4313

CORPORATE PROFILE

The Development Fund is the "trade name" of the Communities Economic Development Fund, a Manitoba Crown Corporation. The Fund is incorporated under the Communities Economic Development Fund Act (C155 of the Consolidated Statutes of Manitoba).

LEGISLATED MANDATE:

The Object of the Fund, as stated in section 3(1) of the Act is as follows:

"The object of the fund is to encourage economic development

(a) In Northern Manitoba, as defined by the Lieutenant Governor in Council by regulation;

(b) subject to the approval of the Lieutenant Governor in Council, in the fishing industry in the province, by acting as a lending authority and administering a loan program with respect thereto; and

(c) in conjunction with financial assistance provided by the Government of Canada under any economic development program to assist aboriginal people in the province outside The City of Winnipeg;

with particular emphasis on the needs of small business enterprises and community development corporations."

Section 3(2) of the Act states it shall do so through the provision of "financial and other forms of assistance":

"The fund may provide financial assistance and other assistance, as set out in subsection (3), to assist in the establishment of new economic enterprises and the development of existing economic enterprises."

The Act defines financial assistance as:

""financial assistance" includes a loan or guarantee, a lease of personal property or real property, the purchase or sale of shares, assets or securities of a corporation, and the underwriting of the securities of a corporation;"

Other forms of assistance are defined in section 3(3) of the Act:

"The fund may provide, with or without charge,

(a) information and advice respecting the techniques, methods and practices required for the successful administration of economic enterprises;

(b) training for individuals, including employees, managers and directors, in an economic enterprise; and

(c) conferences, seminars and other meetings for the promotion of good management practices in economic enterprises."

PROGRAMS

The Fund provides loans and guarantees to small to medium enterprises and to the commercial fishery through three programs:

Business Loan Program
Fisheries Loan Program
TEAM

In addition, the Fund delivers programs under an MOU with the Department of Intergovernmental Affairs.

PERFORMANCE OBJECTIVES:

The Fund practices strategic planning on a five year cycle with annual review when the Board:

1) Reviews targets and objectives, as well as the Fund's operating environment.

2) Reviews annual operating budget.

3) Reviews annual capital budget.

The Fund's operating budget is approved annually in consultation with government under the Budget Act. Capital Budgets are advanced under the Loan Act (both acts are annual).

The Fund is currently formulating its Strategic Plan for the 2003 – 2008 planning cycle.

CORPORATE REPORT:

The Fund is divided into five strategic business units:

Administration, Business Loans, Fisheries Loans, TEAM, Consulting Services

The Fund's Overarching Goal is "to encourage economic development ...through the provision of financial and other forms of assistance". Its strategy to achieve this goal is to design and deliver programs and services:

PROGRAM	CORPORATE OBJECTIVE
Business Loans	Provides financial assistance
Fisheries loans	Provides financial assistance
TEAM	Provides financial assistance & business training

In addition, the Fund is committed to delivering its services in an efficient and economical manner.

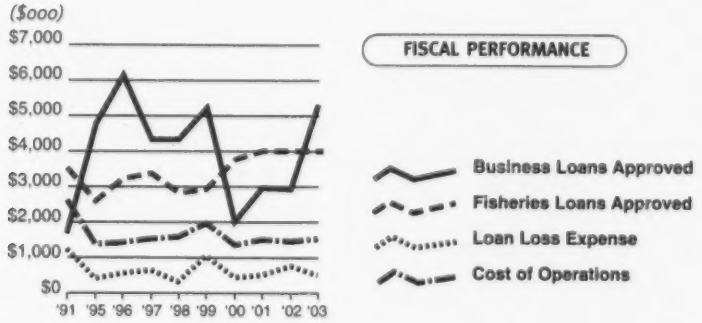
ADMINISTRATION:

The Fund has the administrative objective of delivering its services efficiently at a cost to its key stakeholder (the Province of Manitoba) that meets Government budget objectives. The table *"Performance Data"* on page 11 shows the Fund's cost of operations in absolute numbers and as a percentage of financial assistance offered (effectively a placement cost of funds). The Fund's objective in this area is to lend $7.5 million dollars (see program goals below) within an administrative budget of $1, 514,000, for a projected placement cost of approximately 20 cents. While the goal is achievable, the Fund has limited control over demand for loans and as a result during 1999 – 2002, the goal has not been achieved (initially due to reduced activity in the Fisheries program, followed by reduced activity in the Business program). During 2003, the Fund exceeded its goal in lending activity, while maintaining its operating costs, delivering a placement cost of 0.1745 cents.

The Fund's total cost to government has remained relatively constant. The Fund has maintained its cost to government through the following strategies:

1) Increased Interest Income
2) Reduced Administration (Management) Costs
3) Increased Usage of Technology

As mentioned, the Fund achieved its budget objective, with total cost of operations of $1.493 million compared to a budget of $1.514 million. The following chart gives an overview of the Fund's fiscal performance during the last decade.



The Board has challenged management in future to identify strategy that will further reduce the Fund's economic dependency on Government, and as a result reduce the cost of service for its key stakeholder/client. In its 2003 – 2008 planning cycle, the Fund is considering a number of strategies (that will be reported in future annual statements) to earn revenues within its mandated objectives.

BUSINESS LOANS PROGRAM:

The program's governing objective is to provide a source of capital to viable business enterprises unable to access capital from other sources on acceptable terms. Its budget for loan activity in 2003 was $4.5 million. In addition the program was working on the following internal objectives:

a) To diversify its portfolio

b) To adopt projects that maximize returns within the economy.

The Fund's key strategy in achieving its goal is its location as a Northern lender. This places it closer to its markets, giving it a better understanding of issues in local communities and industries.
Specific strategies are as follows:

Industry Awareness

The Fund draws experience from loan clients and from industry participants in a wide variety of industries into its evaluation process for loans. As an example, diversification of the portfolio into tourism has occurred as the Fund has learned the hotel and accommodation industry and has been able to adapt its risk management practices to projects it would previously have been unwilling to consider.

Scrutiny of Incoming Applications

To minimize loan losses, the Fund practices a high level of scrutiny to all loans prior to approval.

Supervision of Accounts

The Fund performs an annual supervision of each of its accounts to assess risk and any assistance it may be able to provide the entrepreneur in maximizing the return from their business.

Community Visits

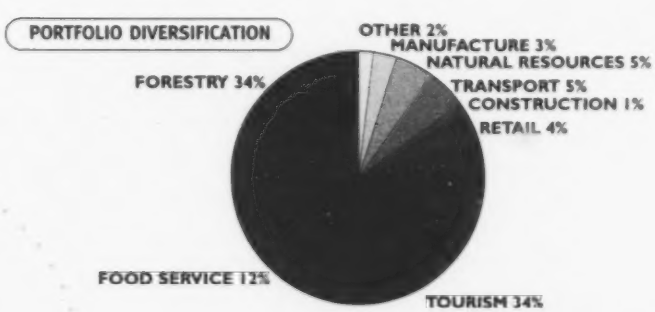
The Fund maintains a planned travel schedule to all the communities in its lending region, to keep awareness of the program high.

RESULTS:

Loan Activity - During the year the program approved $5.174 million in loans to 39 clients.

Portfolio Diversification - At year end the portfolio was distributed as shown below.

All data is presented in the table reports on pages 9-12 of this report.



FISHERIES LOANS:

The Fisheries Loans Program provides a stable source of capital (Financial Assistance) to commercial fishers throughout Manitoba. The program objectives include annual loan volumes of $3.5 to $4 million, working within the cost strictures established by administration, requiring a strong credit management approach to lending. The Fund's client base of approximately 1200 clients is located throughout Manitoba. The program has field offices throughout the fishery area – at The Pas, Gimli, and Winnipeg. Proximity to fisheries and continual visitation and meeting with the fishing community are essential to maintain industry awareness and achieve credit results.

During the year, the program disbursed over $4.37 million new loans, taking in approximately $3.56 million in receipts. Fisheries clients produced approximately $18.5 million in fish during the year.

The program is highly specialized and demand driven by the state of the fishing industry. The industry has enjoyed a prolonged up cycle since 1998 and the Fund is conscious of the level of investment fishers have tended to show during these times. In addition, lower interest rates have made investments more affordable. Recognizing this, the Fund will be practicing a higher level of scrutiny and will stay heavily involved in fisheries management issues to try to anticipate downward trends in the industry and to adjust lending levels accordingly.

TEAM:

The TEAM program was started in the 2001 budget year to provide support to microenterprise in Northern Manitoba. The program was conceived as to be phased in across the region, with the expectation it would require additional resources (from its original budget) in order to reach the entire Northern region. Its primary services are:

- Supplying financial assistance – as a lender of last resort
- Providing technical assistance - assistance with business plans, funding applications, regulatory applications,
- Marketing assistance – access to broader markets for market ready clients

The program derives its mandate from the section 3 of the Act, providing "financial and other forms of assistance".

Objectives:

The program had an initial goal of 45 communities and 150 clients under its first phase. The community goal was revised to 30 communities, recognizing the geographic distances the program covers and the need for frequent travel. Its primary goal is to contact and assist microentrepreneurs, and as such, a core strategy/objective is to visit communities regularly.

Outcomes:

The program is active in 29 communities and has 164 clients in various stages of business. It was able to visit road accessible communities bi-monthly and remote communities quarterly throughout the year. During 2003, it assisted clients to display crafts at two tradeshows in Thompson, and participated with one client in the Uniquely Canada show in Edmonton. It commenced work in conjunction with the Northern Forest Diversification Centre (NFDC) at The Pas and with the Department of Culture Heritage and Tourism (CHT) to promote northern crafts. In February, the program began work on a sales division, targeting corporate gifting markets with clients' products, by supplying gifts of Diamond Willow walking sticks and soapstone carvings at

the highly successful Focus North Conference.

In addition to marketing assistance, the program provides training. During the year it provided a number of business training sessions throughout the region as well as working with individuals to develop accounting systems, business plans, and other business solutions.

Future Directions:

The program is constrained by resources to working within its existing client area. Expansion will take place in areas where the program can lever additional participants – such as the NFDC and aboriginal organizations. In the current year, the program will focus on developing catalogue sales for its clients and working jointly with CHT to address issues of assessing 'market readiness' in crafters.

CONSULTING SERVICES DIVISION:

The division is a 'virtual' department within CEDF created to earn revenues through program and professional services delivery. The Fund currently delivers program services for the Rural Economic Development Initiative (REDI) program in North-eastern Manitoba under a Memorandum of Understanding (MOU) signed between Manitoba Intergovernmental Affairs (IAF) and the Communities Economic Development Fund (CEDF) on the 24th of September, 2001.

Objectives:

The Department and the Fund had the joint objective of increasing exposure to and utilization of REDI programs in the region.

Activity:

The program has been promoted in Cross Lake, Norway House, Pikwitonei, Thicket Portage, Snow Lake, Lynn Lake, Leaf Rapids, Gillam, Churchill, Wabowden, and Thompson.

Outcomes:

- Two communities have been enlisted for the Community Choices (Round Table) Program and have been handed over to IAF for delivery. A third community is in the process of filling in the application for facilitation of a Round Table.
- 15 applications for the REDI Feasibility Study Program were received. Eight were approved for a total of $54,705.
- 2 Young Entrepreneur's Grant applications were received. One was approved in the amount of $4,000, while the other was withdrawn.
- Part 21 Community Development Corporations were formed in the communities of Cross Lake and South Indian Lake. The Gillam Community Development Corporation was revived and is in the process of applying to IAF for a Community Works Loan Program Fund to boost small business lending.
- The Business Basics component of the Junior Achievement Program was delivered by our staff to the Grade 6 class of the Westwood School in Thompson, Manitoba.

Since taking over the REDI programming, CEDF has been actively involved in the northern communities discussing development plans and providing technical and financial assistance through REDI.

Future Directions:

The Fund has had discussions with REDI management who indicate that activity and awareness objectives are being met and will continue with the MOU.

BUSINESS LOANS APPROVED

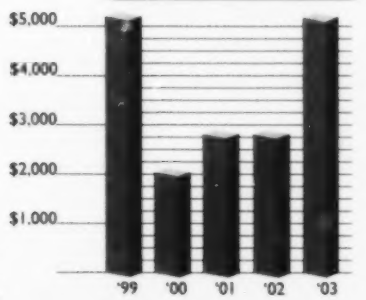
AMOUNT	NAME	LOCATION	PURPOSE	INTEREST	TERM IN MONTHS
$ 45,160	Homeniuk, Stan & Helen	Benito	Gas Station	8.500%	60
701,000	4579187 Manitoba Ltd.(Olafson)	Oakview	Tourist Resort	8.000%	60
162,300	Grand Rapids Fishermen's Co-op	Grand Rapids	Fish Agent	8.000%	120
49,485	Pimichikamac Air Ltd.	Cross Lake	Air Transportation	8.500%	1
86,000	Robinson, Douglas	Churchill	Water & Sewer	8.250%	48
22,170	Kryzanowski, Arron	Mafeking	Custom Sawing	8.500%	24
10,575	Dale Jonasson Logging & Hauling	Wabowden	Forestry	8.750%	12
195,000	4212975 Manitoba Ltd.(Zimola)	Thompson	Hotel	7.750%	120
66,455	Wyatt, Brenton	Mafeking	Forestry	8.125%	48
30,950	Norway House Riverside Cottages	Norway House	Tourism/Outfitting	7.750%	36
27,068	Blue Moose Clothing Co. Ltd.	Brandon	Manufacturing	8.125%	36
462,488	Northern Nights Lodge	Churchill	Motel	7.750%	60
178,125	Allan McLeod Construction Ltd.	Cross Lake	Construction	8.662%	48
206,250	Nanook North Ltd.	Mafeking	Restaurant	8.000%	60
74,602	Goodman's Landing Fisheries Inc.	Hodgson	Fish Co-op	8.430%	48
17,000	Charney, Thomasina	Dauphin	Fitness Franchise	8.430%	36
80,810	Moodie, David	Cranberry Portage	Forestry	8.125%	36
22,010	Benson, Bruce & Linda	Gimli	Commercial Fishing	7.125%	48
29,854	Thompson, Cyrille	Duck Bay	Fish Plant	8.125%	24
61,400	Fisher River McBeth Fisheries	Koostatak	Fish Agent	7.125%	48
45,180	Dudar, C. & Green, C.	Ethelbert	Forestry	8.125%	36
31,170	Grand Rapids Fishermen's Co-op	Grand Rapids	Fish Agent	8.125%	36
26,126	Lindal, J. & Berthe, J.	The Pas	Forestry	8.125%	36
22,500	Goldsand Adventures Ltd.	Lynn Lake	Tourist Lodge	7.125%	36
50,000	Grand Rapids Forest Products	Grand Rapids	Forestry	7.125%	48
130,420	Wyatt Transport Ltd.	Mafeking	Forestry	8.125%	48
576,596	John Uhrina Logging	Thompson	Forestry	9.430%	48
45,750	4515693 Man. Ltd.(Robins Donuts)	Thompson	Fast Food Franchise	8.430%	48
420,120	Bear Logging Ltd.	Wabowden	Forestry	9.430%	48
152,750	Colbourne, Earl	Ilford	Lodge	8.430%	120
22,323	Harbock, Stefan	Wabowden	Repair Shop	9.430%	60
22,830	V&R Construction & Landscaping	Thompson	General Contractors	8.430%	36
96,345	Leona's New Hawaiian Restaurant	The Pas	Restaurant	8.270%	120
50,000	Scheller, Darcy & David	Sifton	Restaurant	8.930%	84
332,880	Nelson River Logging Ltd.	Wabowden	Forestry	9.270%	48
127,375	Grand Rapids Forest Products Inc.	Grand Rapids	Forestry	8.770%	36
137,018	Anderson, J. & Apetagon, S.	Norway House	Restaurant	8.770%	60
49,999	4698631 Manitoba Ltd. (Ireland)	Stonewall	Lodge & Fly-in Camp	8.770%	96

$4,868,084	Total Active Loan Approvals - 38 clients
$ 306,015	Loans Approved/Withdrawn (unlisted) - 1 client
$5,174,099	Total approvals - 39 clients

HISTORICAL DATA

YEAR APPROVED	AMOUNT	APPLICATIONS APPROVED	JOBS CREATED AND/OR RETAINED
1972	$389,500	19	56
1973	1,349,750	82	125
1974	983,983	43	100
1975	731,910	16	73
1976	374,470	18	100
1977	704,658	38	108
1978	510,399	20	103
1979	556,459	20	92
1980	1,982,791	37	144
1981	1,180,740	34	120
1982	2,800,140	46	176
1983	2,138,275	31	138
1984	2,080,595	49	144
1985	2,326,548	63	172
1986	2,909,735	43	159
1987	3,573,294	66	215
1988	3,550,050	70	210
1989	725,243	22	31
1990	1,681,090	38	136
1991	1,737,344	30	80
1992	1,183,686	19	102
1993	5,406,375	36	120
1994	1,427,220	21	88
1995	4,811,247	51	135
1996	6,134,635	64	252
1997	4,321,829	53	198
1998	4,387,457	45	230
1999	5,188,498	41	178
2000	2,062,664	36	165
2001	2,797,419	28	170
2002	2,787,386	28	166
2003	5,174,099	39	213
	$77,979,573	1,246	4,499

FIVE YEAR REVIEW *(000's)*



PERFORMANCE DATA

	2003	2002	2001	2000	1999
No. of Business Loans Approved	39	28	28	36	41
Dollar Value - Business	5,174,099	2,787,386	2,797,419	2,062,664	5,188,498
No. of Loans Approved - TEAM	6	11	6	-	-
Dollar Value - TEAM	15,536	29,911	20,565	-	-
Dollar Value - Fish Approvals	4,099,629	3,901,248	4,185,732	3,793,661	2,617,119
No. of Active Loans - Business	150	132	143	141	138
No. of Active Loans - TEAM	19	15	6	-	-
No. of Active Loans - Fish	1,153	1,119	1,098	1,110	1,106
Portfolio Value - Total	25,007,290	23,158,654	23,592,871	23,624,304	23,787,182
Bad Debt Expense - Business	417,594	443,080	399,418	299,967	457,130
As a percentage of Approvals	8.07%	15.90%	14.30%	14.50%	8.81%
Bad Debt Expense - Fish	0	0	100,000	200,000	550,000
As a percentage of Approvals	0%	0%	2.40%	5.30%	21.02%
Total Subsidy	1,493,068	1,487,145	1,500,200	1,379,999	1,995,377
Subsidy as a % of Approvals	17.40%	22.23%	21.42%	23.56%	24.63%

ECONOMIC IMPACT

The Fund continues to face numerous challenges to maintain its primary function and at the same time deliver a professionally managed development agency for economic expansion including the number of jobs created and maintained.

The following data reflects our impact on the regional economy within our mandated area.

JOBS

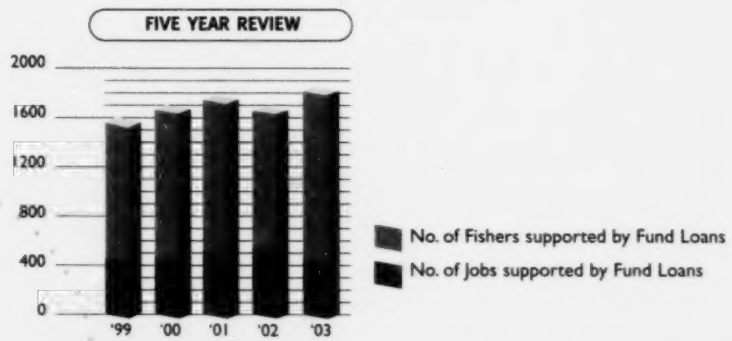
Number of persons directly employed in business supported by Fund loans:[1]	460
Number of fishers supported by Fund Loans:[2]	1,344
Total Employment:	1,804

REVENUES (ooo's)

Total revenue of Business Loan clients:[1]	$49,738
Total revenues of Fisheries Loan clients (before final payments and transfer income):[2]	18,533
Total Revenue	$68,271
Direct Wages Paid[1]	$11,755

[1] Data is drawn from material financial statement provided by clients and from on-site observations by Fund staff during the annual account review.

[2] Data is drawn from payments provided to Fund and from active accounts within loan ledger.



AUDITOR'S REPORT

HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

To The Board of Directors
Communities Economic Development Fund

We have audited the balance sheet of Communities Economic Development Fund as at March 31, 2003 and the statement of revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish Angers
CHARTERED ACCOUNTANTS
The Pas, Manitoba
May 30, 2003

BALANCE SHEET

March 31	2003	2002
ASSETS		
Cash	**$130,412**	$193,571
Trust deposits	**1,264,377**	297,528
Due from Province of Manitoba (Note 3)	**1,994,500**	2,178,588
Accounts receivable	**45,016**	65,633
Property held for resale	**13,022**	109,920
Prepaid expenses	**19,702**	16,530
	3,467,029	2,861,770
Loans receivable (Note 4)	**20,007,920**	18,224,470
Capital assets (Note 7)	**43,346**	41,910
	$23,518,295	$21,128,150
LIABILITIES		
Accounts payable and accrued liabilities	**$293,592**	$540,987
Interest payable to the Province of Manitoba	**663,484**	723,717
	957,076	1,264,704
Accrued pension liability (Note 2)	**1,391,914**	1,336,441
Advances by the Province of Manitoba (Note 8)	**21,169,305**	18,527,005
	$23,518,295	$21,128,150

Approved on behalf of the Board

Linda Ballantyne

Director

L. Westdal

Director

REVENUES & EXPENDITURES

Year ended March 31	2003	2002
REVENUE		
Loan interest		
TEAM	$3,822	$2,437
Business Program	1,004,880	1,015,347
Fisheries Program	811,879	869,357
Investment income	39,261	74,534
	1,859,842	1,961,675
COST OF FUNDS		
Interest paid to the Province of Manitoba		
Business Program	791,937	845,706
Life Insurance	66,806	64,897
Trust line of credit	11,822	
Fisheries Program	594,534	653,878
	1,465,099	1,564,481
GROSS MARGIN	394,743	397,194
OPERATING EXPENSES (Schedule 1)	1,569,902	1,528,909
	(1,175,159)	(1,131,715)
OTHER INCOME - ADMINISTRATION FEES	99,651	87,650
EXCESS OF EXPENDITURES OVER REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	(1,075,508)	(1,044,065)
Provision for doubtful accounts - regular operations	417,578	443,080
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUBSIDY FROM PROVINCE OF MANITOBA	(1,493,086)	(1,487,145)
SUBSIDY DUE FROM PROVINCE OF MANITOBA	1,493,086	1,487,145
	$0	$0

CASH FLOWS

Year ended March 31	2003	2002
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from Province of Manitoba and other sources	**$1,702,016**	$1,374,232
Expenditures to suppliers and employees	**(1,810,423)**	(1,147,252)
Interest paid	**(1,458,526)**	(1,381,512)
	(1,566,933)	(1,154,532)
INVESTING ACTIVITIES		
Purchase of capital assets	**(18,797)**	(21,898)
Loans issued net of principal payments	**(1,742,864)**	401,418
Sale of equipment - net	**96,898**	(58,669)
	(1,664,763)	320,851
FINANCING ACTIVITIES		
Subsidy - Province of Manitoba	**1,493,086**	1,487,145
Advances by the Province of Manitoba	**2,642,300**	(494,891)
	4,135,386	992,254
NET INCREASE IN CASH AND TRUST DEPOSITS	**903,690**	158,573
CASH AND TRUST DEPOSITS, beginning of year	**491,099**	332,526
CASH AND TRUST DEPOSITS, end of year	**$1,394,789**	$491,099
CASH AND TRUST DEPOSITS REPRESENTED BY		
Cash	**$130,412**	$193,571
Trust deposits	**1,264,377**	297,528
	$1,394,789	$491,099

SCHEDULE OF OPERATING EXPENSES

Year ended March 31	**2003**	2002
Amortization of capital assets	**$17,361**	$17,695
Collection costs	**80,625**	81,920
Communications	**45,918**	54,898
Credit reports	**1,972**	1,579
Directors' fees and expenses	**60,158**	64,679
Government vehicles	**35,860**	35,804
Insurance	**1,834**	736
Legal costs	**15,531**	15,739
Office supplies and expenses	**20,059**	17,705
Pension expense	**151,236**	144,658
Professional fees	**22,533**	21,203
Rent and utilities	**79,468**	77,203
Salaries and benefits	**855,697**	816,183
Sundry	**28,738**	23,235
TEAM expenses	**104,776**	102,817
Travel	**48,136**	52,855
	$1,569,902	$1,528,909

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF THE ORGANIZATION

The Communities Economic Development Fund (the Fund) was established in 1971 (Ch. C155) as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991 the object of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Business Loan Program

The allowance for doubtful accounts on loans and interest receivable is calculated on a specific item basis in addition to a 5% non-specific provision on the remaining loans not specifically provided for.

Fisheries Loan Program

The allowance for doubtful accounts on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value (NPV) formula used for calculating the allowance for doubtful accounts is recognized by the Canadian Institute of Chartered Accountants; however, it does not account for closure of a fishery or regulated reduction of production. In the event of closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful accounts.

PENSION EXPENSE AND OBLIGATIONS

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Payments to the pensioners are charged against the liability account. The current pension expense is determined on the basis of an actuarial valuation. The most recent actuarial valuation as at December 31, 2001 indicated the accrued liability is in line with the obligation forecast in the report. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year the Fund has recorded a provision to fund current service obligations. The total liability as at March 31, 2003 amounts to $1,391,914 (2002 - $1,336,441).

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization of capital assets has been calculated on a straight line basis using the following rates:

Building	10%
Office furniture and equipment	10 - 20%
Computer equipment	10 - 25%

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

FAIR VALUE

Due to the short term nature of all financial instruments other than long term debt and long term investments, the carrying values as presented in the financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate, and if so any difference would be accounted for in the period in which it becomes known. For long term investments and long term debt it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

3. DUE FROM PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $1,994,500 (2002 - $2,178,588) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2003	2002
Department of Northern Affairs		
Subsidy (refundable)	**$504,348**	$449,086
- Orders in Council pending	**32,838**	327,661
Pension (unfunded)	**1,381,173**	1,325,828
Pension (funded)	**10,741**	10,613
Severance accrual (unfunded)	**65,400**	65,400
	$1,994,500	$2,178,588

4. LOANS RECEIVABLE

	2003	2002
Business Loan Program		
Principal	**$12,645,055**	$11,211,498
Accrued interest	**623,053**	529,698
	13,268,108	11,741,196
Allowance for doubtful accounts (Note 5)	**(2,219,584)**	(2,147,048)
	11,048,524	9,594,148
Fisheries Loan Program		
Principal	**$11,095,524**	$10,798,131
Accrued interest	**587,310**	576,623
	11,682,834	11,374,754
Allowance for doubtful accounts (Note 5)	**(2,779,786)**	(2,787,136)
	8,903,048	8,587,618

TEAM Loan Program		
Principal	**$52,996**	$41,082
Accrued interest	**3,352**	1,622
	56,348	42,704
	$20,007,920	$18,224,470

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The change in the allowance is accounted for as follows:

Business Loan Program	**2003**			2002
	Specific	**Non-Specific**	**Total**	Total
Balance, beginning of year	**$1,240,393**	**$906,655**	**2,147,048**	$1,993,420
Provision for the year	**52,578**	**365,000**	**417,578**	807,199
	1,292,971	**1,271,655**	**2,564,626**	2,800,619
Accounts written off	**(345,042)**		**(345,042)**	(653,571)
Transfers	**761,398**	**(761,398)**	**-**	-
Balance, end of year	**$1,709,327**	**$510,257**	**$2,219,584**	$2,147,048

Fisheries Loan Program	**2003**	2002
Balance, beginning of year	**$2,787,136**	$3,256,358
Provision (recovery) for the year	**0**	(365,000)
	2,787,136	2,891,358
Accounts written off	**(7,350)**	(104,222)
Balance, end of year	**$2,779,786**	$2,787,136

6. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

	2003	2002
Loan guarantees	**$50,000**	$50,000
Undisbursed balance of approved loans	**1,430,940**	1,148,263
	$1,480,940	$1,198,263

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2003	Net Book Value 2002
Office furniture and equipment	$233,068	$189,722	$43,346	$41,910

8. ADVANCES BY THE PROVINCE OF MANITOBA

	2003	2002
Business Loan Program (Note 9)	**$11,123,379**	$10,690,017
Fisheries Loan Program (Note 10)	**10,045,926**	7,836,988
	$21,169,305	$18,527,005

9. BUSINESS LOAN PROGRAM

The Communities Economic Development Fund is included under The Provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2002". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council. Prior to the 1992/93 fiscal year, advances by the Province were interest free.

Advances from the Business Loan Program at March 31, 2003 are accounted for as follows:

Advances, beginning of year	$13,060,497
2002/03 loan advances	5,000,000
2002/03 loan advance repayments	(4,232,940)
Transfer loan balances to fish	83,880
Loan write offs	(564,369)
	13,347,068
Unfunded allowance, beginning of year	2,370,480
2002/03 provision for doubtful accounts	417,578
Write offs (Order in Council pending)	(564,369)
	2,223,689
Net Balance, end of year (Note 8)	$11,123,379

The Fund has specific loan exposure in the forestry sector in Northern Manitoba. Loans totalling $4,754,421 were outstanding to timber harvesting and related operations as at March 31, 2003.

The Fund's exposure in the forestry sector may be impacted by the outcome of the current Canadian soft-wood lumber dispute with the United States. In addition, currency fluctuations have added further uncertainty. The specific impact of market disruption due to currency issues and the countervailing tariff or other trade action, though likely negative, is unknown at this time. As such, no provision for additional loan losses for forestry sector loans have been provided for in these financial statements.

10. FISHERIES LOAN PROGRAM

The Communities Economic Development Fund is appointed as the Lending Agency for the Fisheries Loan Program (under Part III of the Fisheries Act). The portfolio had previously been administered by Manitoba Agricultural Credit Corporation (M.A.C.C.) and funded by the Department of Natural Resources. Effective April 1, 1992 this portfolio was transferred to the Fund in its entirety.

Advances to the Fisheries Loan Program at March 31, 2003 are accounted for as follows:

Advances, beginning of year	$10,728,346
2002/03 loan advances	5,090,323
2002/03 loan advance repayments	(2,797,506)
Transfer loan balances from business loans	(83,880)
Loan write offs	(82,846)
	12,854,437
Unfunded allowance, beginning of year	2,891,358
2002/03 Loan write offs	(82,846)
	2,808,512
Net Balance, end of year (Note 8)	$10,045,925

Interest costs are charged on total advances of $ 10,728,346 which is the total portfolio including the allowance for loss portion of $ 2,779,786.

Life insurance on clients - The Fisheries Loan Program carries Life and Accidental Dismemberment on clients' loans. The cost of this insurance is recovered in the margin charged on interest rates.

The Fund utilizes a net present value formula to value its Fish Loan Portfolio and estimate the provision for loan losses. The formula takes into account the payments received in the previous 12 month period as a basis for calculating future collections. Recent fishing seasons have been dramatically improved over previous seasons. As a result, fewer fish loans indicate arrears potential and the formula utilized to value the fish loan portfolio generates a lower estimate for loan loss provision.

The provision for fish loan losses in the Funds books of account exceeds the value derived by the net present value formula as at March 31, 2003 by $406,828 (March 31, 2002 - $764,859).

	2003	2002
Loan Loss Provision		
• per accounts	$2,779,786	$2,787,136
• per net present value calculation	2,372,957	2,022,277
Difference	$406,829	$764,859

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2003

11. LOAN ACT AUTHORITY

Amounts authorized for advances under "The Loan Act, 2001" are as follows:

Per Schedule A of "The Loan Act, 2002"	$3,700,000
Per Schedule B of "The Loan Act, 2002"	10,624,146
- Direct Loans	14,324,146
Advances made during the 2002/03 fiscal year	8,495,474
Unused Loan Act capital available	$5,828,672

Guarantees of $970,000 were also authorized under "The Loan Act, 2002". Loan guarantees totalling $50,000 have been issued by the Communities Economic Development Fund as at March 31, 2003.

12. COMMITMENTS

The Fund has leases for office premises as follows:

Swan River	$675 per month
Thompson	$7,235 per month

The lease for Swan River expired on July 31, 2002 and has been continued on month to month basis.
The lease for Thompson expires July 31, 2005.

13. ADVANCES

The advances bear interest at the Royal Bank of Canada prime interest rate, plus 1%, payable monthly and are secured by a general security agreement.

14. ECONOMIC DEPENDENCE

The ongoing operation of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Communities Economic Development Fund is dependent upon the Province of Manitoba for funding of operations.

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